

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 IO-11 ISO-00 FEA-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 ARA-06 /128 W

----- 041883

R 040700Z FEB 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 4157

INFO AMEMBASSY BLANTYRE

AMEMBASSY LONDON

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

AMEMBASSY ROME

AMCONSUL CALCUTTA

USDELMIN GENEVA

AMEMBASSY JAKARTA

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EO 11652: N/A

TAGS: ETRD, EAGR, MTN, CE

SUBJ: MULTILATERAL TEA DISCUSSIONS: COLOMBO PRODUCERS

MEETING CANCELLED

REF: A) DELHI 1529 B) LONDON 120 C) STATE 12368

1. SUMMARY: GOVT OF SRI LANKA (GSL) PLANTATIONS

MINISTRY SECRETARY TOLD EMBASSY JAN 29

THAT MINISTERIAL MEETING OF TEA

PRODUCER COUNTRIES PROPOSED FOR COLOMBO IN FEB

WOULD NOT HAPPEN BECAUSE SEVERAL EAST AFRICAN

COUNTRIES FAILED TO ACKNOWLEDGE GSL SUGGESTION THAT

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MEETING BE HELD. GSL BASIC POLICY AS HIGH COST PRO-

DUCER IS THAT WORLD PRODUCTION SHOULD BE ALIGNED WITH WORLD DEMAND. GSL SEES TEA MULTINATIONALS AND LOW COST EAST AFRICAN PRODUCERS AS PRIMARY OBSTACLES TO PROGRESS ON ANY MEANINGFUL INTERNATIONAL TEA AGREEMENT. UK HIGH COMMISSION HAS ASKED GSL TO HOLD OPEN MARCH 1-3 FOR COMMONWEALTH TEA PRODUCERS/CONSUMERS MEETING IN LONDON PRIOR TO LATER MEETING UNDER FAO AUSPICES. GIVEN RECENT USG RESTATEMENT OF COMMODITY POLICY, WE BELIEVE IT WOULD BE USEFUL TO KNOW IF THERE IS USG POSITION CONCERNING TEA AND, IF SO, WHAT IT IS. END SUMMARY.

2. DURING JAN EMBOFF HAS HAD SEVERAL CONVERSATIONS WITH GSL OFFICIALS CONCERNING MULTILATERAL TEA DISCUSSIONS DURING LAST TWO OR THREE MONTHS. PLANTATIONS MINISTRY SECRETARY AJIT GOONETILLEKE (ALSO CHAIRMAN OF NEWLY-CREATED SRI LANKA TEA BOARD) TOLD US JAN 29 THAT MINISTERIAL LEVEL MEETING OF TEA-PRODUCING COUNTRIES PROPOSED FOR FEB IN COLOMBO WOULD NOT TAKE PLACE BECAUSE GSL SUGGESTION (FORMAL INVITATION WAS NOT MADE) THAT MEETING BE HELD WAS NOT ACKNOWLEDGED BY KENYA, MALAWI, TANZANIA AND MAURITIUS. UGANDA WAS WILLING CONSIDER SUCH MEETING. OTHER COMMONWEALTH PRODUCERS, ESPECIALLY INDIA AND BANGLADESH, WERE ENTHUSIASTIC. APPARENTLY SUGGESTION WAS ALSO TRANSMITTED TO SOME NON-COMMONWEALTH TEA EXPORTING COUNTRIES. INDONESIA WAS UNRESPONSIVE WHILE MINOR EXPORTERS (ARGENTINA, TURKEY) WERE INTERESTED BUT NOT AT MINISTERIAL LEVEL. GOONETILLEKE SAID HE HAD WRITTEN INDIAN TEA BOARD CHAIRMAN BROCA THAT MEETING WAS OFF.

3. MEANWHILE UK HIGH COMMISSION IN COLOMBO HAS ASKED THAT GOONETILLEKE AND OTHER GSL OFFICIALS CONCERNED WITH TEA POLICY HOLD OPEN MARCH 1-3 FOR LONDON MEETING IN PRODUCER-CONSUMER CONTEXT. GOONETILLEKE HAS HEARD NOTHING FURTHER FROM BRITISH AND DID NOT KNOW WHETHER NON-COMMONWEALTH PRODUCERS OR CONSUMERS MIGHT BE INVITED. LONDON MEETING WOULD APPARENTLY BE IN PREPARATION FOR FURTHER MEETING IN LATE MARCH UNDER FAO AUSPICES.

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4. GSL OFFICIALS HAVE EXPRESSED APPRECIATION PUBLICLY FOR VISIT TO COLOMBO LAST NOV BY UK OFFICIALS FOLLOWING UP PRIME MINISTER WILSON'S SPECIFIC MENTION OF TEA (AND JUTE) IN APRIL 75 COMMONWEALTH HEADS OF STATE MEETING. GSL, HOWEVER, RECOGNIZES SEVERE DIFFICULTY OF CREATING COMMON POSITION AMONG TEA EXPORTERS GIVEN FACT THAT MAJOR TRADITIONAL EXPORTERS, PRIMARILY INDIA AND SRI LANKA, ARE FACED WITH HIGH COSTS/NV/LARGE SCALE (ESTATE) PRODUCTION

AND ARE NOT INTERESTED IN EXPANSION WHILE NEW PRODUCERS PRIMARILY EAST AFRICAN STATES, WANT TO EXPAND PRODUCTION BASED ON LOW COST SMALLHOLDINGS AND TO INCREASE THEIR SHARE OF FLAT OR, AT BEST, VERY SLOWLY GROWING WORLD MARKET. GSL'S BASIC POSITION IS THAT WORLD PRODUCTION SHOULD MATCH WORLD DEMAND AND THAT TEA EXPORTERS SHOULD COOPERATE TO PROMOTE TEA CONSUMPTION.

5. LOCAL PRESS HAS CARRIED FIVE POINTS WHICH GOONETILLEKE SAYS ARE ESSENTIALLY GSL PROPOSALS ALTHOUGH THEY HAVE BEEN DISCUSSED IN OTHER FORMULATIONS. THEY ARE 1) SCHEME FOR SUBSIDIZING EARNINGS OF TEA EXPORTING NATIONS IF THEY FALL BELOW FLOOR PRICE; 2) LEVY ON TEA IMPORTS TO PRODUCE FUNDS FOR GENERIC TEA PROMOTION IN IMPORTING COUNTRY WHILE AVOIDING FOREIGN EXCHANGE EXPENDITURE BY EXPORTERS; 4) ESTABLISHMENT OF SPECIAL TEA STATISTICAL COMMITTEE; R) IMPROVED MARKET RESEARCH AND ANALYSIS; AND 5) TEA EXPORTER/CONSUMER COOPERATION. GSL HAS PUBLICLY STATED ITS OPPOSITION TO INTERNATIONAL FINANCIAL AGENCIES AIDING TEA EXPANSION. GOONETILLEKE SPECIFICALLY MENTIONED WORLD BANK PROJECT IN INDONESIA.

6. GOONETILLEKE SAID THAT MAIN PROBLEMS IN ACHIEVING CONSENSUS AMONG PRODUCERS WAS OPPOSITION OF NEW EXPANDING TEA PRODUCERS (EAST AFRICAN COUNTRIES AND INDONESIA). HE REVIEWED BRIEFLY LONG SERIES OF TEA TALKS UNDER FAO AND SAID THAT POINT WAS REACHED IN EARLY 75 WHERE EAST AFRICAN COUNTRIES WERE UNWILLING TO CONTINUE ANY USEFUL DISCUSSION. SOME IMPROVEMENT HAS APPARENTLY BEEN ACHIEVED FOLLOWING COMMONWEALTH INITIATIVE BUT MUCH WOULD NEED TO BE DONE TO CONVINCE NEW TEA EXPORTERS OF LONG-TERM BENEFIT OF INTERNATIONAL COOPERATION. ON CONSUMER SIDE, GOONETILLEKE SAID PRIME CONCERN WAS NEAR MONOPOLY LIMITED OFFICIAL USE

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CONTROL OF MULTINATIONAL TEA FIRMS, ESPECIALLY LIPTONS AND BROOKE BOND. THIS REFLECTS ATTITUDE WE PERCEIVE FROM THOSE FIRMS' LOCAL REPS WHO STRONGLY OBJECT TO ANY TEA PRODUCER/CONSUMER COORDINATION.

7. ALTHOUGH GSL OFFICIALS DIRECTLY CONCERNED HAVE REALISTICALLY VIEWED LIMITED POTENTIAL FOR EFFECTIVE COLLABORATION AMONG TEA PRODUCERS, LET ALONG NEGOTIATION OF INTERNATIONAL AGREEMENT INCLUDING CONSUMERS, WE BELIEVE THEY WILL CONTINUE TO PURSUE ACTIVELY DIALOGUE TO THAT END, ESPECIALLY IN COMMONWEALTH CONTEXT.

8. COMMENT: ALTHOUGH GSL RECOGNIZES US AS SIGNIFICANT TEA BUYER, THERE HAVE BEEN NO DISCUSSIONS CONCERNING TEA AS COMMODITY EXCEPT ON OUR REQUEST FOR INFO. WE PROPOSE NO

INITIATIVE TO BEGIN SUCH DISCUSSION BUT GIVEN RECENT
RESTATEMENT OF US COMMODITY POLICY (REF C) WE BELIEVE
IT WOULD BE USEFUL TO KNOW IF USG HAS ANY POSITION OR
APPROACH TO PRODUCER-CONSUMER DIALOGUE OR INTERNATIONAL
AGREEMENT ON TEA. IF SO, WHAT IS IT?
VAN HOLLEN

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